

### 5. ORGANIZATION AND ROLE DEFINITION

#### **WSIB Members**

The Board is comprised of fifteen members. Ten are voting members, which include three ex-officio members, two legislators (one from the House and one from the Senate), and five members from different plans in the public employee pension system in Washington. Five are non-voting members, appointed by the Board and directed by statute to be “experienced and qualified in the field of investments.” RCW 42.52.020.

Membership on the Board, terms, and nomination or appointment procedures are spelled out in RCW 43.33A.020. Nominations for non-voting members are submitted to the Board by the Audit Committee. Candidates may be referred or recommended to the Audit Committee by anyone. (See Appendix G of this Handbook for outline of specifications for non-voting members).

A list of current Board members, representation, term of appointment, mailing address and telephone number is included in Appendix B of this Handbook.

#### **Positions On The Board**

##### *Chair:*

The Board elects a Chair annually from among the voting members who are not legislators. Legislative members and non-voting members are not eligible to serve as Chair.

##### *Vice-Chair:*

The Board also elects a Vice-Chair annually from among the voting members who are not legislators. Legislative members and non-voting members are not eligible to serve as Vice-Chair.

#### **WSIB Staffing**

The WSIB is a Washington State agency. Senior management, confidential secretary and investment officer positions are state officer and employee positions but are exempt from Washington State’s civil service law. All other positions are classified civil service positions. All WSIB staff are state officers or employees. A list of current staff is included in Appendix D of this Handbook.

#### **The Executive Director**

The day-to-day operation of the WSIB is under the direction of an Executive Director appointed by the Board. The Director is the chief staff person of the Board.

## INTRODUCTION: BACKGROUND INFORMATION

The law provides for the selection of an Executive Director by the Board, with the confirmation by the State Finance Committee. The Board may delegate to the Executive Director such authority as it wishes the Executive Director to exercise. Subject to guidelines established in law and by the Board, the Executive Director may further delegate to Board staff any of the Executive Director's powers and duties, including the power to make investment decisions and to execute investment and other contracts on behalf of the Board.

Unless otherwise determined by the Board, the Chief Investment Officer shall assume the duties of the Executive Director while the Executive Director is absent for other than business reasons.

### Organization

The WSIB organization is structured similar to most investment management organizations, with a board and executive committee providing firm wide leadership; and major operating units for investment management, operations and risk control, financial management and administration, and public affairs or client services.

The Investment Division is comprised of investment professionals making and managing investments in four major asset classes; public equity, private equity, real estate and fixed income. The division is also served by a senior investment officer who develops asset allocation and risk budgeting strategies and a research director that provides research and analytic support. The division deploys both internal and external investment management strategies.

The Operations Division provides a number of services in support of the investment function, including trade settlement, cash management, private market funding, cash and stock distributions and foreign and domestic tax matters and investment compliance monitoring. It provides firm-wide risk management, information systems management, human resource and administrative services.

The Public Affairs Division handles duties typically found in a client services division of an investment management firm, including performance reporting, annual report preparation, corporate governance and constituent communications. In addition, it handles functions unique to a public pension fund, including legislative affairs, public disclosure and media.

### Legal Counsel

Legal counsel to the WSIB is provided through the Office of the Attorney General. The Attorney General's Office is charged with providing legal services including advising and representing the WSIB and in defending Board members and employees for actions performed while in their official capacity.

In addition, the Attorney General's Office and the WSIB also contract for outside legal services for investment and other specialized services to augment the legal services made available through the Attorney General's Office.

## INTRODUCTION: BACKGROUND INFORMATION

### **Consultants, Advisors, Managers**

#### *Reason for Hiring Outside Managers*

Some pension agencies hire outside managers to invest all of their assets. A few pension agencies invest and manage all assets with internal staff. The WSIB, like most fund sponsors, has found a combination of internal and external approach to be the best solution.

Outside consultants, advisors and managers are a source of advice, counsel and services, which the Board and staff use to ensure the best combination of skills and advice necessary to maximize the return on the assets of the fund. This gives the WSIB a depth of highly skilled persons to perform specific tasks and to extend the capability of the WSIB. A list of current key advisors, consultants, and money managers used by the Board is periodically distributed to members in Board packets.

With the assistance of staff and consultants, the voting Board members decide whether a certain type of asset, or a portion of that asset can be best invested and/or managed by internal Board staff or by hired managers. The advice of consultants is considered when making investment decisions.

If managers are hired, the staff and Board must oversee their activities to ensure compliance with contract terms and Board objectives.

#### *Selection Process*

Selecting investment consultants, advisors and managers is a competitive and public process. The Executive Director oversees and ultimately approves the issuance of a Request for Proposal (RFP). The RFP lists the requirements and services to be provided. RFPs are advertised and sent to a large number of potential bidders.

Once the proposals are received, they are reviewed and evaluated by staff. Sometimes consultants may assist with the evaluation of the proposals received. Staff selects a group of finalists based upon a variety of factors, including price. Interviews are then conducted by staff, the Board, or one of the Board Committees. The final selection is usually made by or approved by the full Board.

### **References:**

Members of the State Investment Board  
State Investment Board Staff  
State Investment Board Organizational Charts

Appendix B  
Appendix D  
Appendix E